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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 001416

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SUBJECT: DPP LEGISLATORS DISCUSS ELECTION PROSPECTS AND  
ARMS PROCUREMENT WITH DIRECTOR

Classified By: AIT Director Stephen M. Young, Reasons: 1.4 (b/d)

¶1. (C) Summary: A group of DPP legislators told the Director that the new election format for the Legislative Yuan (LY) will disadvantage the DPP in 2007 and future LY elections. However, the upcoming completion of three major transportation projects and a strong performance by Premier Su on the economy and fighting crime could boost DPP chances in the 2007 LY and 2008 presidential elections. The group of DPP legislators was divided over the possibility of progress in the LY on arms procurement in the coming weeks. End Summary.

Defense Issues  
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¶2. (C) During an introductory lunch on April 19, Democratic Progressive Party (DPP) legislators Lee Wen-chung, Shen Fa-hui, Lin Cho-shui, and William Lai (Ching-te) discussed the arms procurement issue and DPP election prospects with the Director. Lee Wen-chung, the leading defense expert in the DPP LY caucus, told the Director that, based on discussions with Kuomintang (KMT) members of the LY Defense Committee, he was optimistic there could soon be movement on the arms procurement issue. Lee noted that KMT polling shows public support for arms procurement is increasing, and he also believed that KMT Chairman Ma Ying-jeou wants to improve the image of the KMT that was sullied by its recent unpopular rejection of the government's nominee for prosecutor general. DPP defense preferences, he said, include procuring P-3C ASW aircraft and funding preliminary design work for submarines, while bowing to political necessity in postponing PAC-III procurement.

¶3. (C) In contrast to Lee, William Lai doubted there will be movement on arms procurement in the near term. Lai pointed out that the KMT had not fulfilled earlier promises of movement on the issue. He also argued that Ma will be reluctant to press for movement because he wants to appease the Deep Blue, who are leading opponents of arms procurement. KMT resistance to arms procurement has not hurt the party at the polls and will only become a factor in the 2008 presidential election. Therefore, Lai predicted, Ma will not move on the issue until 2007, when he will need to do so for his presidential campaign.

## Election Prospects and Political Trends

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14. (C) Lee, Lin, and Shen were pessimistic about DPP prospects in upcoming major elections over the next two years: Taipei and Kaohsiung mayors in 2006, the LY in 2007, and the presidency in early 2008. The best the DPP can hope for is to achieve a split in the mayoral contests by winning Kaohsiung, win just over one-third of the seats in the 2007 LY elections, and lose the 2008 presidential election by a narrow margin, Lee suggested.

15. (C) The legislators did not know whether former premier Frank Hsieh might consider running for Taipei mayor, but noted that the DPP is unlikely to win in Taipei no matter who the candidate is. Those most interested in persuading Hsieh to run are the DPP candidates for the Taipei City Council because they think Hsieh can increase DPP votes, boosting their own chances.

16. (C) Lin was especially pessimistic about DPP chances in the 2007 LY elections, when seats will be reduced from 225 to 113, and the new election districts will have single rather than multiple representatives. The DPP will start out in the 2007 LY election with a ten-seat deficit, Lin said, because the KMT and its allies will have a lock on the smallest districts -- Matsu, Kinmen, Penghu, and Taitung -- and most likely all six seats reserved for aborigines. This deficit plus the poor performance by the DPP government will hurt the DPP at the polls, Lin argued, and he predicted that the DPP will continue to be the minority party in the LY for decades to come.

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17. (C) Lai argued that DPP prospects are not as bleak as portrayed by his colleagues. Three major transportation projects are due to be completed prior to the 2007 LY elections: the Taipei-Ilan Expressway, the North-South High Speed Railway, and the Kaohsiung Metro. Voters will appreciate the convenience of these projects and will tend to forget the scandals involving the latter two projects. If the economy continues to do well, that will also help the DPP. The problem now, according to Lai, is that economic growth is benefiting the top 20-30 percent of the population but not the remainder, who feel worse off than in the past. DPP prospects will also be boosted if Premier Su Tseng-chang, the party's leading presidential candidate, is able to prove himself on issues such as fighting crime. Finally, the DPP has a stronger position than the KMT on the issue of national identity (unification versus independence), which will be a major issue in the 2008 presidential election.

18. (C) All four legislators agreed that Taiwan is heading toward a two-party political system because it will be more difficult for small parties to win seats in the new LY districts, which will have single rather than the current multiple representatives. Of the two minor parties, the People First Party (PFP) will have greater difficulty surviving because a large portion of its base supporters have already shifted their loyalties toward the KMT under Ma Ying-jeou. The Taiwan Solidarity Union, which has a small but stable base, hopes to survive by winning party representative seats in the new LY. (Note: Under the new system, voters will have two votes, one for a district candidate and one for a political party. Thirty-four seats in the new LY will be allotted according to the votes received by each political party. End Note.)

Comment

19. (C) The 2007 LY elections may be a political time bomb for the DPP in general and will certainly be one for numerous DPP legislators, especially in northern Taiwan, who will lose

their seats. Barring a change in the political landscape, the pan-Green stands to come out of the 2007 LY elections with a significantly reduced percentage of seats. For the reasons pointed out by Lai and because the KMT and Ma may make mistakes, the DPP does not need to be overly pessimistic at this early stage about the 2008 presidential election. Premier Su, who can strike a chord with the ethnic Taiwanese that Mainlander Ma cannot, has the potential to be a strong contender in 2008 if he can maintain his distance from President Chen. Despite Lai's analysis of the defense issue, we think Ma would prefer to deal with arms procurement now rather than later to put the issue behind him before the presidential campaign heats up.

YOUNG